ENERGY SITUATION ANALYSIS REPORT

May 14, 2002

(next scheduled update: May 15, 2002)

Energy Information Administration
US Department of Energy
Washington, DC 20585
(202) 586-8800

Petroleum ***Natural Gas*** ***Coal*** ***Electricity***

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Latest Energy Market Developments

(updated May 14, 2002)

Near-month WTI crude oil on the NYMEX rose to its highest level in 8 months, closing at $29.36 per barrel on Tuesday, May 14. Not since the aftermath of September 11 had WTI prices been in the $28-$29 per barrel range. Oil prices continued to rise in response to concerns that market fundamentals would place upward pressure on prices. Monday's *Oil Market Report* from the International Energy Agency warned that if OPEC continued to restrain output, "a repeat of 1999, when OECD industry stocks plunged by some 230 million barrels in less than two quarters, would seem to be a real possibility". This followed last week's news that U.S. crude oil inventory declines exceeded expectations. Adding to inventory concerns are the effects of the recent Iraqi export embargo, which are expected to begin to be reflected in the form of lower import numbers.

There have been no indications from OPEC ministers that production quotas would be increased at OPEC's June 26 meeting or that market fundamentals were seen as the cause of rising prices. Algerian Energy and Mining Minister Chakib Khelil said Friday he saw the world oil market as being well supplied, although he noted that it was too early to discuss any outcome of OPEC's upcoming meeting. UAE Petroleum and Mineral Resources Minister Obaid bin Saif al-Nasseri suggested that factors other than market fundamentals were responsible for higher prices. "I think this is maybe a political reaction", al-Nasseri said in response to the price rally.

Other topics affecting **world oil markets** include:

- Oil traders expect Norway to cut oil supplies in June to enable the country to comply with its obligation with OPEC to reduce output by 5% (150,000 barrels per day) over the first half of 2002, as Prime Minister Kjell Magne Bondevik reaffirmed Norway's obligation on Sunday. Norway will wait until the end of June to decide whether to continue the output restrictions.
- The UN Security Council approved an overhaul of sanctions against Iraq on May 14. The U.S.-backed resolution creates a "goods review list" of items with both civilian and military uses. Items on the list have to be evaluated separately within 30 days. Most goods not on the list can go to Iraq after a 10-day review by U.N. officials. The vote was unanimous, with Syria deciding at the last minute to support the resolution after earlier objections that delayed the vote. The Security Council's resolution also renews until November 25 the UN's "Oil-for-Food" program (see special topic).

Other recent developments in **U.S. energy markets** include:

- As of May 14, the U.S. Strategic Petroleum Reserve (SPR) contained 567.7 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.
- Spot natural gas prices at most trading locations in the eastern two-thirds of the country declined on Monday, May 13, as the result of generally cooler weather. At the NYMEX, Monday activity mirrored the previous session with a gain of about 3 cents per million Btu by the close of trading. With the price of crude oil rising in recent days, traders continue to bid up natural gas futures prices.
- While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady.
- Wholesale electricity prices in the Western U.S. and in the Northeast have been mixed over the past ten days. The average price at all trading centers has been relatively stable, ranging between a high of $30.83 per megawatthour and a low of $26.59 per megawatthour.

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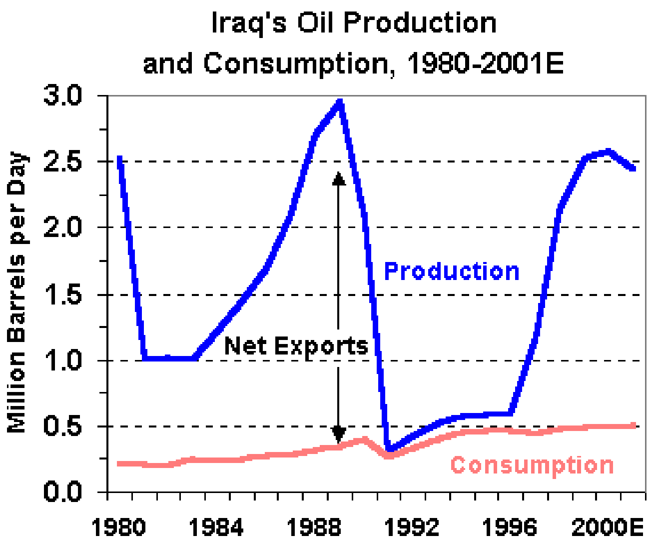
Special Topic -- Basic Facts on Iraq

(updated May 14, 2002)

While Iraq's weekly export levels fluctuate, the country remains an important world oil player, with U.N. "Oil-for-Food" exports from January 1, 2002 through April 8, 2002 averaging 1.7 million barrels per day. "Oil-for-Food" exports ceased on April 8, when the country declared a unilateral 30-day crude oil export embargo. Iraq began pumping crude oil to its export terminals on May 8 after lifting a month-long embargo. The first tanker loaded at Mina al-Bakr left on May 11, while the first tanker for loading at Ceyhan arrived May 14.

The United States is the largest single market for Iraqi oil, with almost half of Iraqi oil exports bound for the United States in 2001. Imports from Iraq accounted for an average 8% of total U.S. imports in 2001. In 2001, Iraq was the sixth-largest source of U.S. crude oil imports, behind Canada, Saudi Arabia, Venezuela, Mexico, and Nigeria.

The current phase of the "Oil-for-Food" program expires at the end of May 2002. The UN Security Council approved an overhaul of sanctions against Iraq on May 14. The resolution establishes a "goods review list" for dual-use (i.e., civilian or military) items that require UN Security Council approval before Iraq can purchase them. Items on the list have to be evaluated separately within 30 days. Most goods not on the list can go to Iraq after a 10-day review by UN officials. The Security Council's resolution also renews until November 25 the UN's "Oil-for-Food" program. Temporary downturns in Iraqi exports in association with program rollovers are common.



Note: Production includes crude oil, lease condensate, natural gas liquids, ethanol, and refinery gain.

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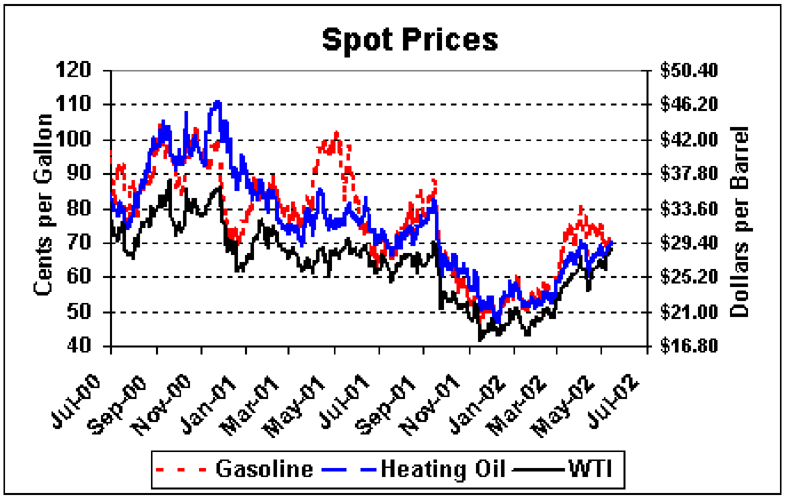
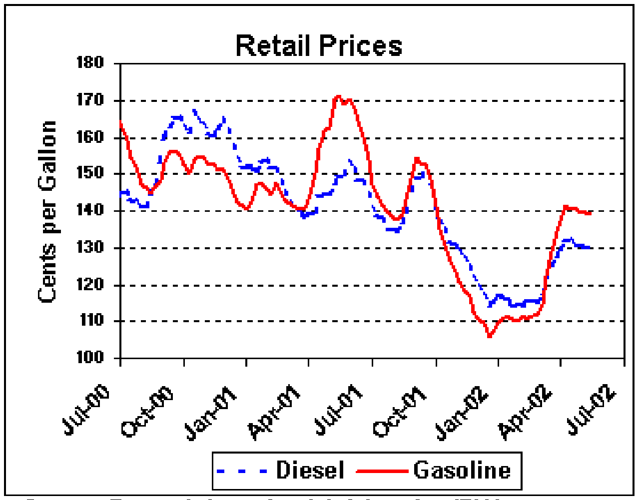
U.S. Petroleum Prices

(updated May 14, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

Crude Oil and Oil Products Price Table

Date	WTI Crude Oil Spot Cushing	WTI Crude Oil Futures	Gasoline Spot NYH	Gasoline Futures	Heating Oil Spot NYH	Heating Oil Futures	Kerojet Spot NYH	Propane Spot Mt. Belvieu	Propane Spot Conway	EIA Weekly Retail US Average Gasoline	EIA Weekly Retail US Average Diesel
	$/bbl	$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
3/26/2002	$25.75	$25.36	70.81	80.08	65.23	65.68	66.26	39.75	38.25		
3/27/2002	$25.79	$25.87	74.55	82.05	66.40	66.72	67.80	40.50	39.63		
3/28/2002	$26.21	$26.31	74.88	82.49	67.05	66.89	67.95	40.63	41.00		
3/29/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
4/1/2002	$26.82	$26.88	78.25	84.90	68.40	68.69	68.05	42.38	41.88	137.1	129.5
4/2/2002	$27.75	$27.71	80.15	86.98	70.65	70.95	72.75	44.82	44.63		
4/3/2002	$27.55	$27.56	76.35	84.84	70.40	70.83	72.50	44.38	44.25		
4/4/2002	$26.64	$26.58	74.75	82.33	68.40	68.66	70.50	44.01	44.50		
4/5/2002	$26.21	$26.21	73.70	81.70	68.15	68.22	70.05	43.00	42.19		
4/8/2002	$26.16	$26.54	77.57	84.19	69.57	69.30	71.20	43.82	42.94	141.3	132.3
4/9/2002	$25.45	$25.82	75.13	83.39	66.80	67.80	68.50	41.19	40.13		
4/10/2002	$26.15	$26.13	76.00	83.44	67.35	67.84	68.98	41.00	40.13		
4/11/2002	$24.93	$24.99	72.53	78.87	64.73	64.71	66.50	39.00	37.69		
4/12/2002	$23.51	$23.47	66.48	72.96	60.03	60.05	61.93	38.07	36.63		
4/15/2002	$24.53	$24.57	73.00	78.63	63.07	63.34	65.09	39.50	38.00	140.4	132.0
4/16/2002	$24.92	$24.75	74.73	79.29	64.23	63.78	66.25	39.50	38.00		
4/17/2002	$25.94	$25.94	74.70	80.77	65.10	65.40	67.25	40.25	38.75		
4/18/2002	$25.86	$26.18	74.57	81.13	65.30	65.58	67.25	41.13	39.13		
4/19/2002	$26.43	$26.38	73.95	80.40	65.65	65.91	67.75	40.38	37.88		
4/22/2002	$26.28	$26.27	72.82	79.02	65.55	65.81	67.65	41.00	38.50	140.4	130.4
4/23/2002	$26.28	$26.62	74.11	80.16	66.40	66.53	69.07	41.69	39.32		
4/24/2002	$26.28	$26.38	71.89	78.76	66.10	66.12	68.28	41.13	39.19		
4/25/2002	$26.36	$26.73	72.50	79.37	66.70	67.20	69.10	41.50	39.69		
4/26/2002	$27.12	$27.11	74.00	81.39	67.60	67.90	70.00	40.69	39.25		
4/29/2002	$27.45	$27.57	74.95	83.36	68.95	69.20	71.20	41.57	39.25	139.3	130.2
4/30/2002	$27.32	$27.29	74.93	82.30	68.65	68.90	70.90	42.00	39.88		
5/1/2002	$26.58	$26.75	72.75	80.48	67.33	67.42	69.65	41.63	39.51		
5/2/2002	$26.31	$26.24	71.73	78.49	66.38	66.07	68.48	41.09	38.50		
5/3/2002	$26.75	$26.62	70.78	78.77	66.40	66.53	68.28	41.07	38.63		
5/6/2002	$26.11	$26.12	69.07	77.45	64.40	64.98	66.00	40.75	38.13	139.5	130.5
5/7/2002	$26.79	$26.63	68.94	78.28	65.80	65.86	67.75	41.00	38.63		
5/8/2002	$27.76	$27.85	68.78	78.77	66.80	67.40	68.85	42.50	40.38		
5/9/2002	$27.78	$27.68	68.79	77.46	67.35	67.79	69.38	41.38	39.25		
5/10/2002	$27.92	$27.99	70.33	79.05	68.25	68.92	70.13	41.38	39.25		
5/13/2002	$28.62	$28.38	72.03	79.73	69.25	69.45	71.38	41.26	39.07	138.8	129.9

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

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Latest U.S. Weekly EIA Petroleum Information

(updated May 14, 2002)

It's A Crude, Crude World

Crude oil dominated petroleum markets last week, as world events once again demonstrated how global the crude oil market actually is. Iraq started exporting oil under the United Nations "Oil-for-Food" program, after ending a self-imposed 30-day cutoff in support of the Palestinians. Yet, as Iraq is beginning to export oil to global markets once again, the United States may just be beginning to feel the impacts of the 30-day cutoff. While weekly data on sources of U.S. crude oil imports are very preliminary and thus not published, it does appear that crude oil imports from Iraq were down sharply from average levels. Of course, as is the nature of weekly import data, it may be too early to emphatically say that we have begun a period in which U.S. crude oil imports from Iraq will be reduced as a result of the cutoff last month. But clearly, the impact of reduced Iraqi imports will be felt sometime over the course of this month, due to the length of time it takes for the oil to be shipped from Iraq to the United States. How ironic it is that just as Iraq begins to export again, the United States may begin to feel the effects of the cutoff.

Although crude oil imports remained above 9 million barrels per day for the third week in a row last week, they have still averaged about 800,000 barrels per day less over the last four weeks compared to the same time last year. With OPEC and some major non-OPEC countries agreeing to reduce production and/or exports so far this year, it is not surprising that the country that imports the most oil in the world (the United States) is feeling the impacts of reduced global production. Partly as a result of this, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) dropped 5.5 million barrels, thereby falling below year-ago levels for the first time since the week ending March 16, 2001. This was not at all surprising, as the surplus compared to year-ago levels has been rapidly declining since the week ending March 1, 2002, when crude oil inventories were more than 40 million barrels above year-ago levels. If product demand begins to increase as well, we could be in a situation later this month in which both crude oil and product inventories are both falling at the same time.

Events in the Middle East also have dominated the news of late and impacted crude oil markets. Crude oil prices in the short-term will likely continue to ebb and flow somewhat in relation to global events such as the Israel-Palestine situation, the level of Iraqi exports, and expectations of the possibility of changes or lack of change in OPEC production quotas as we get closer to their June 26 meeting. With little in the way of news related to petroleum products, the global crude oil market has taken center stage.

Retail Gasoline Prices See Little Action

The retail gasoline market was quiet again this week, with the national average retail price for regular motor gasoline edging down 0.7 cent per gallon on May 13 to end at 138.8 cents per gallon. This price is 32.5 cents per gallon lower than last year. Prices have remained relatively flat over the past five weeks, with slight up and down changes. Prices were down throughout the country on May 13, with the largest decreases occurring on the West Coast. California retail gasoline prices fell 1.8 cents per gallon last week to end at 157.1 cents per gallon. With relatively little movement in spot gasoline prices over the last several weeks, it seems that the retail gasoline price has a reached a new equilibrium for the time being and any price changes in the retail market can mostly be attributed to white noise. Retail diesel fuel prices decreased by 0.6 cent per gallon to a national average of 129.9 cents per gallon as of May 13 after rising the previous week.

Above Average Propane Build

The monthly propane stockbuild totaled an above average 6.1 million barrels, boosting U.S. inventories of propane to an estimated 45.8 million barrels as of April 30, 2002. The average April stockbuild over the past five years was nearly 5.2 million barrels. Regional gains were evenly distributed at 2.7 million barrels in the Midwest and Gulf Coast regions last month, while the East Coast reported a nearly 0.4 million-barrel increase during this same period.

The summer build season typically lasts from April through September, with inventory additions averaging about 37 million barrels over the past five years. However, during this period, inventory builds have ranged from a low of 23 million barrels during 1999, to a high of 47 million barrels during 1998. But with propane inventories beginning the build season from the highest end of March level since 1987, even a low build scenario would cause U.S. inventories of propane to reach well above the 60-million barrel level many industry observers believe is adequate for the start of the heating season.

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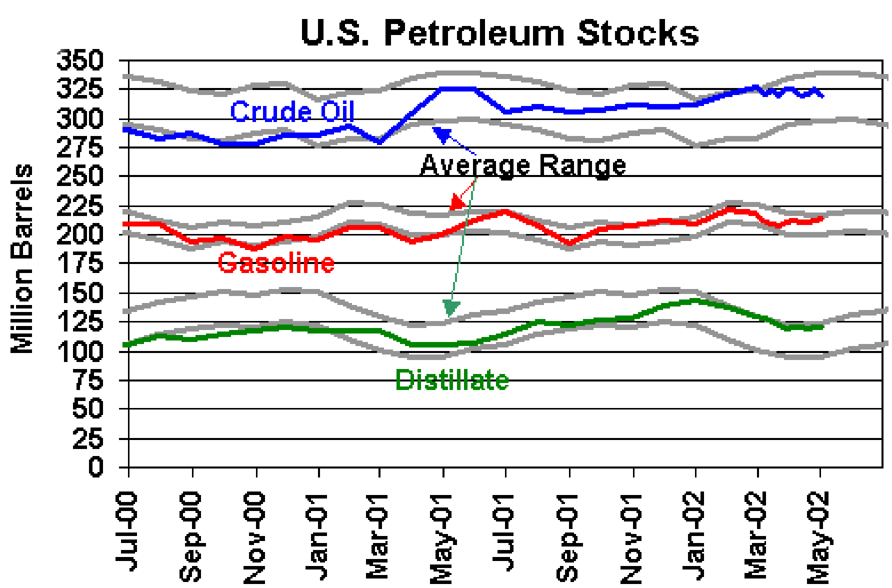
Energy Situation Analysis Report

U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending 5/3/2002	5/3/2001	vs. Year Ago Diff.	% Diff.
Refinery Activity				
Crude Oil Input	15,276	15,553	-277	-1.8%
Operable Capacity	16,800	16,636	164	1.0%
Operable Capacity Utilization (%)	91.5%	94.9%	-3.4%	
Production				
Motor Gasoline	8,515	8,461	54	0.6%
Jet Fuel	1,494	1,552	-58	-3.8%
Distillate Fuel Oil	3,682	3,651	31	0.8%
Imports				
Crude Oil (incl. SPR)	8,992	9,809	-817	-8.3%
Motor Gasoline	885	775	110	14.1%
Jet Fuel	123	155	-32	-20.6%
Distillate Fuel Oil	196	304	-108	-35.5%
Total	11,293	12,306	-1,013	-8.2%
Exports				
Crude Oil	33	12	21	175.0%
Products	936	950	-14	-1.5%
Total	971	962	9	1.0%
Products Supplied				
Motor Gasoline	8,686	8,558	128	1.5%
Jet Fuel	1,596	1,655	-59	-3.6%
Distillate Fuel Oil	3,741	3,805	-64	-1.7%
Total	19,430	19,584	-154	-0.8%

Stocks (Million Barrels)	5/3/2002	5/3/2001	vs. Year Ago Diff.	% Diff.
Crude Oil (excl. SPR)	320.0	325.4	-5.4	-1.7%
Motor Gasoline	214.1	201.5	12.6	6.3%
Jet Fuel	40.3	40.8	-0.5	-1.2%
Distillate Fuel Oil	121.5	105.2	16.3	15.5%
Total (excl. SPR)	1,006.7	976.9	29.8	3.1%



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World Oil Market Highlights

(updated May 7, 2002)

According to second quarter 2002 estimates, the world holds about 6.8 million barrels per day of excess oil production capacity, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

Major Sources of U.S. Petroleum Imports, 2001*
(all volumes in million barrels per day)

	Total Oil Imports	Crude Oil Imports	Petroleum Product Imports
Canada	1.79	1.32	0.47
Saudi Arabia	1.66	1.61	0.05
Venezuela	1.54	1.28	0.26
Mexico	1.42	1.38	0.04
Nigeria	0.86	0.81	0.04
Iraq	0.78	0.78	0.00
Norway	0.33	0.27	0.06
Angola	0.32	0.31	0.07
United Kingdom	0.31	0.23	0.08
Total Imports	11.62	9.15	2.47

** Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.*

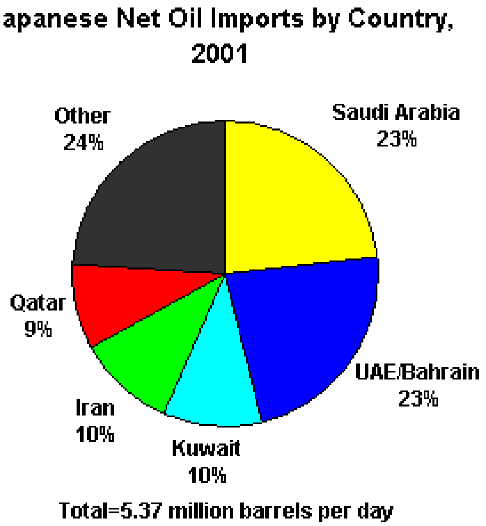
Top World Oil Net Exporters, 2001*

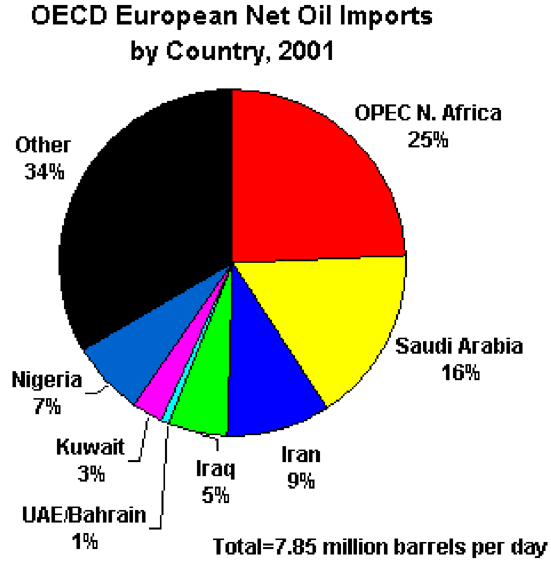
	Country	Net Exports (million barrels per day)
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

**Table includes all countries with net exports exceeding 1 million barrels per day in 2001.*

During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.





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Latest U.S. Weekly Natural Gas Information

(updated May 14, 2002)

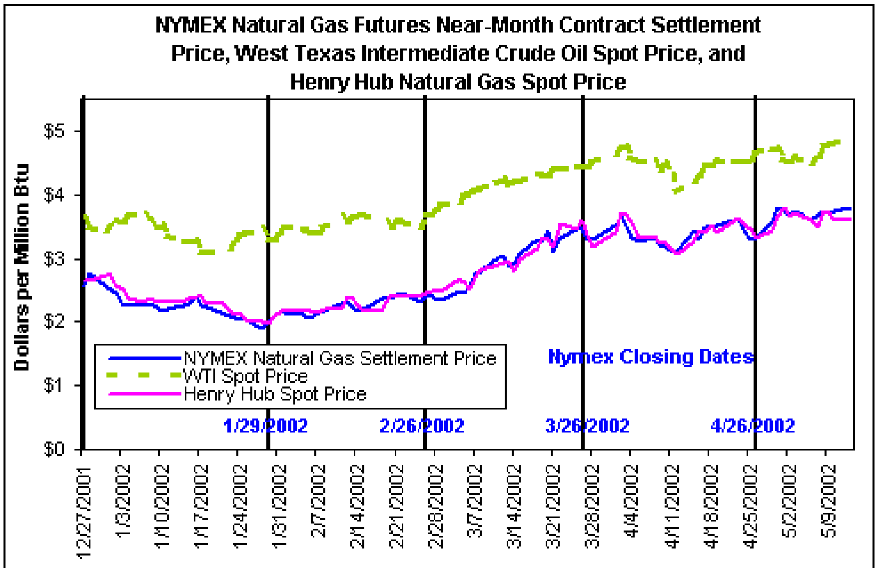
Industry/Market Developments

MMS issues report on Gulf of Mexico production: Oil and gas activity in the Deepwater Gulf of Mexico reached record levels in 2001 as 14 new projects began producing, according to the report Deepwater Gulf of Mexico 2002: America's Expanding Frontier, released by the Minerals Management Service (MMS). As of the end of 2001, there were 51 projects on production, up from just 16 in 1997. An additional 13 projects will likely start producing in 2002, continuing the surge of activity that has increased gas production in the deepwater by 550 percent since 1995. After noting the emergence of extensive exploration and development activity in previous studies, the MMS now reports activity has "reached a level of maturity" that makes the deepwater (defined as greater than or equal to 1,000-foot depths) Gulf an expanding frontier. MMS notes that the depth of exploration sites in the Gulf of Mexico has steadily increased over the past 5 years, and that deepwater gas production has grown by more than 400 million cubic feet per day every year since 1997. Ultra-deepwater activity (defined as greater than or equal to 5,000-foot depths), which is also accelerating, included a significant discovery at a water depth of 9,727 feet. Since their last study on the subject in 2000, drilling rigs operating in the deepwater Gulf have increased from 28 to 43. Since 1992, the average shallow-water field increased proved and unproved reserves of natural gas by the equivalent of 6 million barrels of oil (BOE). The average deepwater field yielded over 10 times that amount of reserve additions, at an average of 64 million BOE.

Prices

Spot prices at most trading locations in the eastern two-thirds of the country declined on Monday, May 13, as the result of generally cooler weather. The Henry Hub spot price fell a dime to average $3.61 per million Btu (MMBtu). Similar declines occurred at many citygate locations such as New York City and Chicago, both of which dropped 9 cents per MMBtu. The spot price at the New York citygate fell below its recent value of about $4.00 per MMBtu for an average price of $3.91 per MMBtu. Natural gas at the Chicago citygate traded at a premium of 3 cents per MMBtu to the Henry Hub spot price. Trading in the West diverged from the overall softening trend with gains of a dime or more at most trading locations; however, these gains are from relatively depressed prices in the region. The California composite spot price on Monday was $3.28 per MMBtu, a gain of 12 cents for the day. Meanwhile, price changes at Rockies trading locations ranged from a decline of 8 cents per MMBtu to a gain of up to 97 cents per MMBtu as infrastructure maintenance in the region continued to contribute to considerable price variability.

At the NYMEX, Monday activity mirrored the previous session with a gain of about 3 cents per MMBtu by the close of trading. With concerns over tensions in the Middle East and the price of crude oil rising in recent days, traders continue to bid up futures prices. The futures contract for June delivery closed at $3.783 per MMBtu, while gains of 1 to 3 cents per MMBtu were recorded on futures contracts for later in the year. The futures contract for June delivery is now selling near its high of $3.795 per MMBtu that occurred on April 30.



Note: The West Texas Intermediate crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.
Source: *NGI's Daily Gas Price Index* (http://intelligencepress.com)

All prices in $ per MMBtu	California Composite Average Price*	Henry Hub	New York City	Chicago	NYMEX futures contract- June delivery	NYMEX futures contract- July delivery
4/16/2002	3.31	3.43	3.88	3.44	3.329	3.367
4/17/2002	3.23	3.40	3.76	3.38	3.511	3.546
4/18/2002	3.31	3.51	3.81	3.50	3.523	3.558
4/19/2002	3.01	3.40	3.68	3.41	3.562	3.595
4/22/2002	3.32	3.58	3.97	3.59	3.616	3.646
4/23/2002	3.31	3.63	3.97	3.64	3.615	3.645
4/24/2002	3.14	3.53	3.85	3.55	3.431	3.465
4/25/2002	3.14	3.47	3.81	3.49	3.306	3.341
4/26/2002	2.70	3.32	3.66	3.33	3.372	3.407
4/29/2002	3.14	3.44	3.79	3.48	3.561	3.589
4/30/2002	3.27	3.65	3.95	3.67	3.795	3.823
5/1/2002	3.32	3.79	4.06	3.81	3.735	3.767
5/2/2002	3.15	3.65	3.91	3.66	3.684	3.721
5/3/2002	2.91	3.71	3.92	3.69	3.745	3.787
5/6/2002	3.23	3.61	3.81	3.58	3.595	3.639
5/7/2002	3.16	3.49	3.74	3.49	3.673	3.719
5/8/2002	3.30	3.74	4.01	3.74	3.746	3.794
5/9/2002	3.39	3.72	4.05	3.74	3.719	3.768
5/10/2002	3.16	3.71	4.00	3.73	3.749	3.800
5/13/2002	3.28	3.61	3.91	3.64	3.783	3.831

* Average of *NGI*'s reported average prices for: Malin, PG&E citygate, and Southern California Border Average.
Source: NGI's Daily Gas Price Index (http://intelligencepress.com)

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Latest U.S. Coal Information

(updated May 14, 2002)

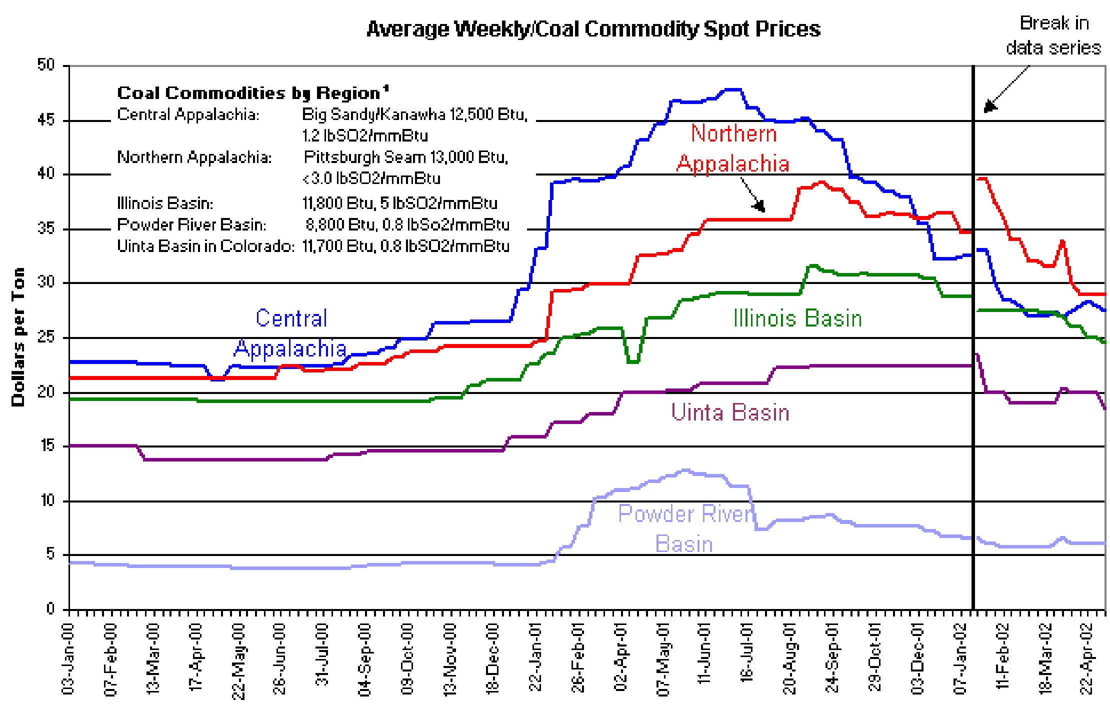
On May 8, the U.S. Army Corps of Engineers was ordered to cease issuing permits that allow filling of valleys and burial of streambeds adjoining mountaintop removal coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the controversial 44-page ruling in Charleston, West Virginia, in a suite brought by Kentuckians for the Commonwealth, Inc., a citizens group, against the Corps' Huntington, West Virginia, District. The disputed practice, known as "valley fill," has been allowed for almost 20 years and mining companies consider it an important component of economical coal recovery at the mammoth mountaintop operations. Haden wrote that the Corps' "rule change was designed simply for the benefit of the mining industry and its employees" and that the "practice is illegal because it is contrary to the spirit and the letter of the Clean Water Act."

This ruling came at a time when the Bush Administration was taking steps to remove regulatory impediments to mountaintop mining, including plans to shift all permitting to individual States. On May 9, the Corps published a final rule in the Federal Register that allows mine overburden to be dumped in streams regulated under Section 404 of the Clean Water Act. The National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region. On May 13, the U.S. Department of Justice filed a motion for stay of Judge Haden's ruling, pending appeal. In its supporting documentation, the Justice Department contends that this ruling is broad and, if fully implemented, would stop all new surface coal mining (not just mountaintop removal) in steep terrain, because some valley filling is necessary even in less expansive operations. It also contemplates possible impacts on underground mining in steep terrain, which generally requires preparation plants, with waste impoundments in valleys, and even valley fill for mine roads. Further, the motion questions whether the ruling might be applied to other mining besides coal.

On April 24, the National Mining Association had filed a motion to stay a separate, March 28 ruling, restricting land subsidence associated with underground coal mining. On April 25, the Interior Department filed for a stay. That ruling, by U.S. District Judge James Robertson of the federal district court in Washington, DC, would restrict underground coal mining under national parks, inhabited residences, and other protected areas. The court ruled in favor of the Citizens Coal Council, an environmental advocacy group, in a suit challenging the way the Department of the Interior allows permitting of underground coal mining that may cause ground subsidence in specified protected areas. This ruling would negate permitting practices that have been followed, but challenged, almost since the initiation of the Surface Mining Control and Reclamation Act of 1977. The National Mining Association (a co-defendant in the suite, along with Gale Norton, Secretary of the Interior) claims that the ruling ignores long-standing interpretation of the 1977 statute and would devastate eastern U.S. coal production.

For the week ending May 4, EIA estimates U.S. coal production at 20.1 million short tons (mst). This was 5.7% lower than in the comparable week in 2001. Year-to-date as of May 4, rail car loadings of coal and national coal production have fallen by 4.5% and 5.3%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.4% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.5% below last year's level. The estimated production for the first four months of 2002 was 356.2 mst. Lower production at this time correlates with higher-than-usual coal stockpiles at consuming facilities and with the spring period of low seasonal demand at electric power plants.

While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady. Although price indexes changed since last summer, Illinois, Uinta, and Powder River Basin coals are continuing the level-to-slowly-declining price profiles established with the 2001 spot data. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen significantly (by about $20.00 and $10.00 per short ton, respectively). The latest indexed spot prices, $27.50 per short ton for Central Appalachian and $29.00 per short ton for Northern Appalachian coal, are respectively 23% and 36% above prices in the summer of 2000, prior to escalation. Other prices are also running higher than the summer 2000 baseline: by about 35% for the Uinta Basin, 30% for the Illinois Basin, and 60% for the Powder River Basin. In the latest week, coal prices either did not change or moved down by small percentages. Although NYMEX trade volumes are nominal and erratic, settled prices since early February 2002 have been relatively level, in the $25 to $27 range with generally low daily volumes.



Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

[1]Prior to January 14, 2002 EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, the values shown are based on a single specification in each region for delivery by the end of the next quarter.

Temporary disruptions in supply lines for Central Appalachian coal occurred between Thursday, May 2, and Sunday, May 5, 2002, as "heavy rain pounded a five-county area where West Virginia, Virginia and Kentucky meet, sending normally quiet streams raging over their banks" (AP, May 3, 2002). Rapid rainfall always has the potential to disrupt or flood mine workings -- in this case, State authorities intervened to control at least one spill from an abandoned waste pond in West Virginia -- but wider problems strained the distribution system. Flooding and washouts affected coal truck deliveries to prep plants and long hauls on the Norfolk Southern Railroad. High water in the Big Sandy and Tug Fork Rivers delayed barge shipments and loadings at some docks. By Monday, May 6, although rivers were still near flood stage and currents were swift, shipping was continuing with minor delays as vigilant rivermen watched for runoff surges in downstream reaches of the rivers, or in the event of new local storms. Short-term distribution problems of this kind may not be detectable in Weekly Coal Production estimates. Although they affect local routings, they do not severely disrupt State-level coal production and the overall supply chain. Localized effects and less-than-full-week delivery problems are not traceable given the source data EIA uses for weekly estimates.

In the long term, EIA expects domestic coal supplies to be more than adequate for projected consumption. Most coal is still sold under multi-year contracts, and average prices for all coal supply contracts, incorporating spot and long-term, are projected to stabilize at well below current spot prices. EIA's projections of average coal prices decline slightly in inflation-adjusted dollars because nominal prices rise more slowly than the rate of inflation between 2000 and 2020.

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Latest U.S. Electricity Information

(updated May 14, 2002)

Selected Wholesale Electricity Prices (May 3 - May 13): Western U.S. wholesale electricity prices have been mixed over the past ten days. Prices at the California-Oregon border have ranged between a high of $28.88 per megawatthour on May 6 and a low of $23.90 per megawatthour on May 3. Prices at the Palo Verde trading center have ranged between a high of $30.63 per megawatthour on May 9 and a low of $25.22 per megawatthour on May 3.

Similarly, prices in the Northeast have also been mixed over the past ten days. Prices at the New York ISO ranged from a high of $43.16 per megawatthour on May 7 to a low of $33.93 per megawatthour on May 13. ISO New England prices ranged from a high of $44.00 per megawatthour on May 13 to a low of $32.30 per megawatthour on May 8.

The average price at all trading centers has been relatively stable ranging between a high of $30.83 per megawatthour and a low of $26.59 per megawatthour.

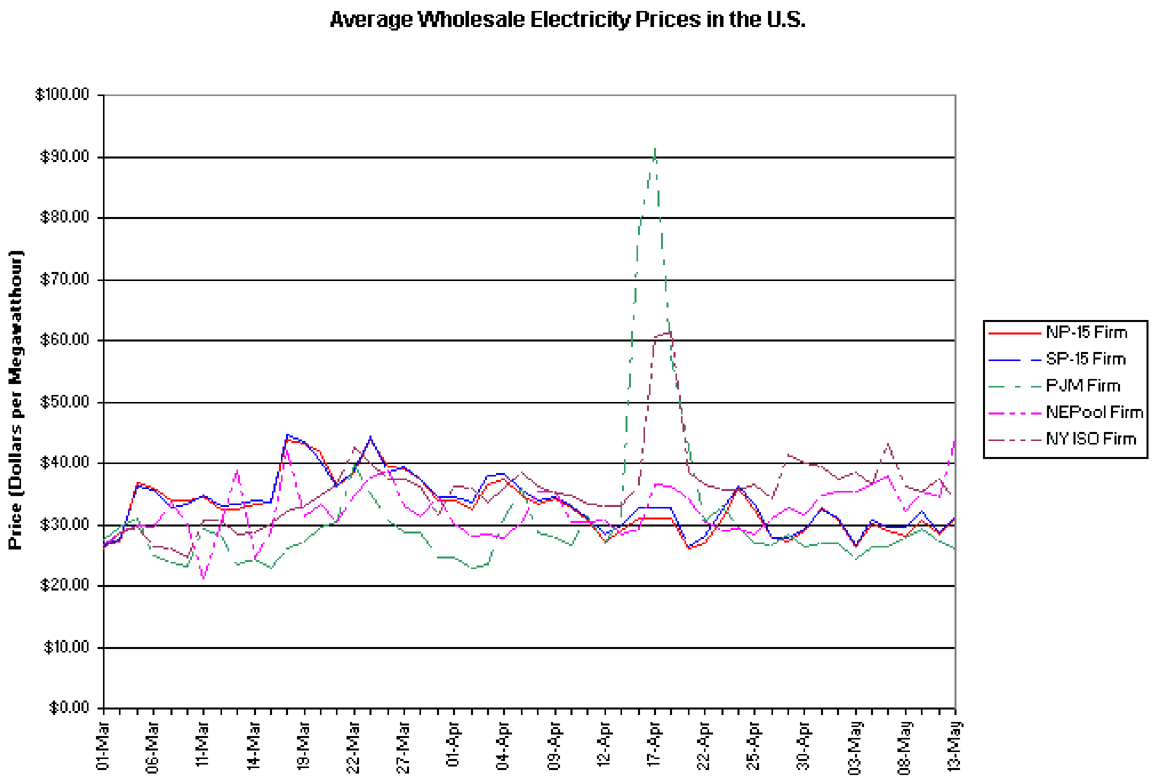
U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	5/3/02	5/6/02	5/7/02	5/8/02	5/9/02	5/10/02	5/13/02	Max	Min	Average
COB	23.90	28.88	26.13	25.91	28.40	26.42	27.81	28.88	23.90	26.93
Palo Verde	25.22	29.91	28.63	27.72	30.63	27.48	30.35	30.63	25.22	28.96
Mid-Columbia	21.15	27.23	24.39	23.79	26.80	24.37	25.45	27.23	21.15	24.96
Mead/Marketplace	25.98	31.29	29.13	28.18	31.33	27.82	30.68	31.33	25.98	29.43
4 Corners	24.50	30.00	28.50	27.00	30.25	25.00	30.00	30.25	24.50	28.15
NP 15	26.34	30.04	28.97	28.05	30.72	28.42	30.93	30.93	26.34	29.42
SP 15	26.58	30.70	29.56	29.53	32.19	28.56	31.44	32.19	26.58	30.26
PJM West	24.34	26.46	26.28	27.93	29.33	27.27	26.00	29.33	24.34	27.36
ISO New England	35.31	36.66	37.88	32.30	35.30	34.62	44.00	44.00	32.30	36.85
New York ISO	38.56	36.42	43.16	36.20	35.26	37.52	33.93	43.16	33.93	37.24
Cinergy	20.58	22.93	23.73	28.23	28.92	22.23	18.81	28.92	18.81	24.38
Average Price	26.59	30.05	29.67	28.62	30.83	28.15	29.95	30.83	26.59	29.45

Source: COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West,and Cinergy trading centers, Used with Permission from Bloomberg L.P.(www.bloomberg.com), ISO New England (http://www.iso-ne.com), and New York ISO

Notes:
n.q. - No quotes available for the day.

COB:	Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.
Palo Verde:	Average price of electricity traded at Palo Verde and the West Wing, Arizona.
Mid-Columbia:	Average price of electricity traded at Mid-Columbia.
Mead/Market Place:	Average price of electricity traded at Mead Market Place, McCullough and Eldorado.
Four Corners:	Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.
NP-15:	Average price of electricity traded at NP-15.
SP-15:	Average price of electricity traded at SP-15.
PJM-West:	Average price of electricity traded at PJM Western hub.
Nepool:	Average price of electricity traded at the New England ISO, formerly Nepool.
New York ISO:	Average price of electricity traded at the New York ISO.
Cinergy:	Average price of electricity traded into the Cinergy control area.



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